



AN ACT ALLOWING FOR A REFUNDABLE EARNED INCOME CREDIT BASED ON A PERCENTAGE OF THE FEDERAL EARNED INCOME CREDIT; PROVIDING THAT THE CREDIT MAY NOT BE CLAIMED FOR CERTAIN INCOME; AND PROVIDING AN APPLICABILITY DATE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Earned income tax credit. (1) Except as provided in subsection (3), a resident taxpayer is allowed as a credit against the tax imposed by 15-30-2103 a percentage of the credit allowed for the federal earned income credit for which the individual taxpayer is eligible for the tax year under section 32 of the Internal Revenue Code, 26 U.S.C. 32.

(2) The amount of the credit allowed under subsection (1) is 3% of the amount of the credit determined for the tax year under section 32 of the Internal Revenue Code, 26 U.S.C. 32.

(3) (a) Except for married taxpayers living apart who are treated as single under section 7703(b) of the Internal Revenue Code, 26 U.S.C. 7703(b), the credit is not allowed to married taxpayers if the spouses report their income on separate tax forms. Married taxpayers filing separately on the same form may allocate the credit between spouses.

(b) The credit is not allowed on earned income that is treated as a dividend received by a member of an agricultural organization provided for in section 501(d) of the Internal Revenue Code, 26 U.S.C. 501(d). For the purpose of this subsection (3)(b), the amount of the state tax credit provided for in subsection (2) is reduced by the reduction percentage.

(4) The taxpayer is entitled to a refund equal to the amount by which the credit exceeds the taxpayer's tax liability or, if the taxpayer has no tax liability under this chapter, a refund equal to the amount of the credit. The credit may be claimed by filing a Montana income tax return.

(5) For the purpose of this section, the following definitions apply:

(a) "Earned income" means earned income, as defined in section 32 of the Internal Revenue Code, 26 U.S.C. 32, that was used to determine the amount of the federal earned income tax credit under subsection (2).

(b) "Reduction percentage" means a percentage that is calculated by dividing the earned income that is disallowed under subsection (3)(b) by the total amount of earned income.

Section 2. Codification instruction. [Section 1] is intended to be codified as an integral part of Title 15, chapter 30, part 23, and the provisions of Title 15, chapter 30, part 23, apply to [section 1].

Section 3. Severability. If a part of [this act] is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

Section 4. Applicability. [This act] applies to income tax years beginning after December 31, 2018.

- END -

I hereby certify that the within bill,
HB 0391, originated in the House.

Speaker of the House

Signed this _____ day
of _____, 2017.

Chief Clerk of the House

President of the Senate

Signed this _____ day
of _____, 2017.

HOUSE BILL NO. 391

INTRODUCED BY T. JACOBSON, K. ABBOTT, F. ANDERSON, J. BACHMEIER, Z. BROWN, R. COOK,
V. COURT, A. CURTIS, G. CUSTER, M. DUNWELL, D. FERN, J. FLEMING, M. FUNK, F. GARNER,
E. GREEF, J. HAMILTON, B. HAMLETT, A. HERTZ, J. KEANE, K. KELKER, J. KNOKEY, D. LOGE,
R. LYNCH, N. MCCONNELL, S. MORIGEAU, A. OLSEN, J. PATELIS, Z. PERRY, G. PIERSON,
J. POMNICHOWSKI, J. PRICE, V. RICCI, C. SCHREINER, B. SMITH, J. TREBAS, B. TSCHIDA, P. WEBB,
S. WEBBER, T. WELCH, K. WHITE, J. WINDY BOY

AN ACT ALLOWING FOR A REFUNDABLE EARNED INCOME CREDIT BASED ON A PERCENTAGE OF THE
FEDERAL EARNED INCOME CREDIT; PROVIDING THAT THE CREDIT MAY NOT BE CLAIMED FOR
CERTAIN INCOME; AND PROVIDING AN APPLICABILITY DATE.